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Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04
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R 230730Z FEB 78
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 8176

UNCLAS DACCA 1095

PASS OPIC, ATTN. MS. JACQUELINE CRUMPLER, APPLICATIONS OFFICER, INSURANCE DIVISION

E.O. 11652: N/A
TAGS: EINV, OPIC, BD
SUBJ: REQUEST FOR REGISTRATION FOR OPIC INSURANCE BY DEVCO INTERNATIONAL, INC. (388-78-111 BANGLADESH): EMBASSY'S PRELIMINARY COMMENTS

REF: OPIC MEMO DATED 2/7/78

1. DEVCO'S PROPOSED $14.6 MILLION INVESTMENT IN A THERMAL BLACK PLANT IN BANGLADESH IS AN EXCELLENT PROJECT THAT WOULD BE MUTUALLY BENEFICIAL TO BANGLADESH AND THE U.S. THIS EXPORT-ORIENTED PROJECT WOULD MAKE A SIGNIFICANT CONTRIBUTION TO BANGLADESH'S SERIOUS TRADE IMBALANCE (WHICH IS NOW COVERED BY AID). IT WOULD BE THE FIRST MAJOR PRIVATE PETROCHEMICAL INVESTMENT IN BANGLADESH AND COULD CONCEIVABLY INDUCE INTEREST BY OTHER INVESTORS. WE RECOMMED APPROVAL OF OPIC INSURANCE SUBJECT TO SUCCESSFUL SETTLEMENT OF BELBAGCO CLAIM.

2. THE PROPOSED DEVCO PLANT WOULD BE A FLOATING FACILITY, USING APPROVED, EXISTING TECHNOLOGY, THAT WOULD BE MOORED ON A RIVER NEAR THE TITAS GAS FIELD AT ASHUGANJ IN THE UNCLASSIFIED

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COMILLA DISTRICT NORTHEAST OF DACCA. NATURAL GAS, THE FEEDSTOCK FOR THE PLANT, IS AVAILABLE AT ATTRACTIVE PRICES FROM THE TITAS FIELD WHICH CONTAINS AMPLE RESERVES. DEVCO PROJECTS THERMAL BLACK CAN BE PRODUCED AT 10 CENTS A POUND AS COMPARED TO COST OF 15 CENTS PER POUND IN THE U.S. THIS SHOULD ENSURE STRONG EXPORT DEMAND FOR THE PRODUCT AND AN AMPLE RETURN ON INVEST-

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MENT.

3. ACCORDING TO DEVCO, EXPORT DEMAND FOR THERMAL BLACK IS HIGH AND NEW SOURCES OF SUPPLY ARE NEEDED. VIRTUALLY ALL PRODUCTION FROM THE PROPOSED PLANT WOULD BE EXPORTED, ADDING AN ESTIMATED $6 MILLION A YEAR TO BANGLADESH'S EXPORT EARNINGS. THIS IS APPROXIMATELY ONE AND ONE-HALF PERCENT OF THE COUNTRY'S TOTAL EXPORT EARNINGS IN FY 77. EXPANDING EXPORTS, WHICH WERE APPROXIMATELY 50 PERCENT OF IMPORTS IN FY 77, IS A MAJOR BDG PRIORITY.

4. MAJORITY OWNERSHIP IN THIS INVESTMENT WOULD BE HELD BY A REPUTABLE BANGLADESHI GROUP OF BUSINESSMEN WITH SOME TECHNICAL EXPERTISE AND SOUND RELATIONS WITH THE BDG. ONE OF THEM, A U.S. - TRAINED GEOLOGIST, IS A FORMER CHAIRMAN OF THE STATE OIL COMPANY, PETROBANGLA. THEIR EQUITY SHARE WOULD BE FINANCED BY A LOAN FROM AMERICAN EXPRESS INTERNATIONAL, WHICH WOULD SHARE THE MINORITY INTEREST WITH DEVCO.

5. OPERATION OF THE PLANT WOULD REQUIRE APPROXIMATELY 50 TECHNICIANS AND EMPLOYEES, ALL OF WHOM WOULD BE TRAINED BY DEVCO. NO PERMANENT EXPATRIATE STAFF WILL BE REQUIRED.
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